GOVERNMENT OF INDIA
FINANCE AND COMPANY AFFAIRS
LOK SABHA

UNSTARRED QUESTION NO:2634
ANSWERED ON:07.03.2003
IMPACT OF ECONOMIC LIBERALISATION ON STATES
RAJO SINGH

Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) the impact of economic liberalisation on the financial condition of the economically backward States which are known as `BIMARU` States of the country;

(b) Whether their condition has turned bad to worse due to the policy of economic liberalisation adopted twelve years ago;

(c) if so, the details in this regard; and

(d) the economic package offered/proposed to be offered by the Government to improve the economic condition of such States, State-wise?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANDRAO V. ADSUL)

(a) to (d): Economic liberalisation seeks to improve efficiency and growth potential of the economy and is expected to have of favourable impact on the economy of the states.

Most of the State Governments, including the BIMARU States have been experiencing large and increasing fiscal and revenue deficits, particularly during the second half of the 1990s. The deterioration in the financial position of States is mainly on account of increasing expenditure on salaries and wages, pensions and interest payments and the lower growth of revenue receipts in relation to expenditure growth.

On the recommendations of the Eleventh Finance Commission, the Central Government has drawn up a scheme called the States Fiscal Reform Facility (2000-01 to 2004-05) to encourage States to undertake Medium Term Fiscal Reforms Programme aimed at improving their fiscal position. To this end, an incentive fund of Rs.10,607 crore has been earmarked over a period of five years to encourage the States to implement monitorable fiscal reforms. Government of India has also proposed a debt swap mechanism to facilitate States to retire their stock of high cost Central Government loans and advances. These initiatives are expected to improve the financial position of States, including those of BIMARU States.